WASHINGTON NOTES

RESULTS OF TARIFF NEGOTIATIONS
THE SETTLEMENT WITH CANADA
A NEW COST OF LIVING INQUIRY
WORK OF THE MONETARY COMMISSION
EXTENDING THE CORPORATION TAX

The final closing of negotiations with foreign countries under the terms of sec. 2 (the maximum tariff provision) of the Payne-Aldrich tariff law, which was necessarily arrived at by the end of March, renders it possible to say definitely what gains have been made by the United States by virtue of the maximum tariff provision. As things stand, the United States has succeeded in getting: (1) An additional concession of Germany's minimum rates upon a portion of the trade which formerly paid Germany's maximum duties and which amounts to about 3 or 4 per cent. of our total trade with that country; (2) minimum rates from France upon a volume of French trade estimated by some at about $36,000,000 or possibly 85 or 90 per cent. of our total export trade to France; (3) "intermediate" rates from Canada upon about $5,000,000 of American exports to that country, this sum representing roughly 3 per cent. of our total export business with Canada; (4) certain "commercial concessions," including therein better treatment of our exports of pork sent to Germany and France by reason of the acceptance of certificates of meat inspection granted in this country, better tariff arrangements governing the entry of our cottonseed oil into France in competition with other edible oils coming from elsewhere, fairer treatment for our exports of sulphur which compete with Italian and Sicilian sulphur, etc. Against this showing should be set the facts that, in order to gain these points, we canceled all of our reciprocity treaties with foreign countries under the Dingley law; that France, although giving us nominally her "minimum" rates on many commodities, has, since the Payne-Aldrich law went into effect, raised her "minimums" so that, in many cases, they are distinctly higher than the "maximum" which we formerly paid on these same goods under her old schedule; and that by giving up the customs administrative arrangements which we had with the foreign countries under the old régime, but which are now canceled, we have subjected our consumers to decidedly disadvantageous conditions of importation while, correspondingly, foreign countries have resumed their more severe customs administrative methods

with reference to American goods entering their ports. These meager results have been attained only by the most strenuous effort, practically the whole time of the State Department for more than two months having been devoted to the tariff question. The net outcome of the whole episode has been materially to weaken our tariff standing with foreign countries, since they now have not the slightest fear of the imposition of our maximum rates, and to confirm the opinion already existing in many minds that the shape in which the maximum section was finally formulated was of such a character as to provide an absolutely unworkable and unsatisfactory basis for tariff negotiation.

The incident which most strikingly enforces this conclusion is the latest of the settlements with foreign countries—that with Canada, which was completed on the last day of March. When we originally made overtures to Canada (Canada having made none to us, but having calmly awaited the application of the maximum tariff) we insisted upon complete most-favored-nation treatment for our goods entering the Canadian market. This would have given us the same rates of duty that were accorded to France by the terms of the reciprocity treaty between France and Canada. We also demanded that the present policy, whereby the Canadian provinces seek to prevent or limit the exportation of pulp wood used for making wood pulp, the raw material of print paper, should be abrogated. Neither of these things has been done, but on the contrary a blunt refusal with reference to both our requests was all that could be obtained by the tariff delegation which we sent to Ottawa early in March. Even the President himself, who in a conference at Albany some two weeks later attempted to bring the Canadians to a more friendly point of view, had no better success. All that we could obtain was the grant of Canada's intermediate rates (given to France and from 2 1-2 to 5 per cent. lower than her maximum rates) on certain California fruits, raisins, nuts, etc., tableware, watch movements, feathers, cottonseed oil, and a few other commodities. The volume of our trade with Canada in these articles is very small, and what is more, shows no prospect whatever of increasing, so that, even if the insignificant reduction of 2 1-2 to 5 per cent. in the rates were of importance in facilitating the entry of American goods into Canada (which it is not) there would be no prospect of building up a trade there in these goods. What was

of more importance than the actual content of the concessions made or refused by Canada is the fact that Canada maintained her theoretical position to the fullest extreme by making these reductions of duty common to all the rest of the world. In other words, not even on the insignificant number of items (thirteen "numbers" in the Canadian tariff) on which reductions were granted to us by the Canadians, did we get any exclusive opening in Canada's market. The outcome of the negotiations, then, was a humiliating surrender on the part of the United States, due to the fact that, as the administration was well aware, public opinion would not permit the application of the maximum rates to importations from Canada. The situation has been complicated by the fact that President Taft has promised the Canadian government to attempt the negotiation of a reciprocity treaty of more inclusive scope. This of course will necessitate ratification by the Senate, and, inasmuch as the House now claims the privilege of ratifying all treaties involving changes in tariff duties, it will further require the assent of the House, thus making the adoption of the treaty more difficult than a change in the tariff itself.

Disgusted with the wholly inconclusive and unsatisfactory nature of the information it has been obtaining by means of public hearings at which producers, retail and wholesale dealers, and others have been appearing, the Senate committee on the cost of living has decided to attempt a new method of prosecuting the inquiry into the rise of prices. The new plan, worked out for the commission by F. C. Croxton, a special agent employed by it, provides for: (1) the collection of producers' prices on 17 articles. This will involve the ascertaining of the price paid to the producer on the 1st of each of the months of January, February, March, April, May, and June of each year from 1900 to 1910 inclusive. The idea is to obtain statements from 40 buyers in selected localities for each of the following articles: barley, corn, oats, rye, wheat, cattle, hogs, sheep, cotton, hay, wool, cream, milk, eggs, poultry, onions, and potatoes. (2) The collection of wholesale prices for 260 commodities. This merely involves the getting of prices for 1909 and the first four months of 1910 continuing the prices collected by the Bureau of Labor for the years from 1890 to 1908, the Bureau of Labor having already begun the task of collecting these prices for 1909. The idea of the committee is to compile the bureau material

in such a way that the prices for the early months of 1910 can be brought into comparison with the prices for corresponding months of previous years from 1897 to 1909. (3) The gathering of prices for agricultural implements. This involves getting, in addition to the prices secured by the Bureau of Labor, wholesale prices for each year from 1897 to 1910 for binders, harrows, hay rakes, mowers, pitchforks, plows, shovels, and wagons. (4) The gathering of retail prices for 71 articles. This would include the prices paid by the consumer on the 1st of each of the months of January, February, March, April, May, and June of each year from 1900 to 1910 for all the articles in a list intended to cover the items enumerated in the original Senate resolution, excepting rent and some forms of clothing for which it has been thought to be practically impossible to secure reliable figures. The articles included in this retail list are included in the wholesale list previously referred to, and the plan contemplated is to get prices for all articles excepting agricultural implements from 4 establishments in each of 20 selected cities, the establishments to be those patronized largely by wage-earners, while prices for agricultural implements are to be secured in selected sections of the country. The articles for which prices are to be obtained at retail are as follows: beans, bread, butter, cheese, coffee, eggs, fish, flour, fruit, lard, meal, beef, hams, mutton, pork, milk, molasses, poultry, rice, salt, sugar, tea, vegetables, blankets, calico, ready-made clothing, ginghams, men's hats, hosiery, sheetings, shirtings, shoes, women's dressgoods, woolen goods, brick, cement, doors, lime, linseed oil, lumber, oxide of zinc, putty, shingles, turpentine, white lead, window glass, fuel, petroleum, and the agricultural implements already referred to. (5) The ascertainment of wages in at least 10 establishments (for 1900 and 1910) in each of the following classes: agricultural implement factories, bakeries, brickyards, cigar and cigarette factories, clothing factories, construction work, cotton mills, fertilizer establishments, flour mills, iron and steel plants, lumber mills, shoe factories, silk mills, slaughtering and meat packing establishments, tanneries, woolen mills, and coal mines. Inquiries are to be made at at least three establishments making cement, refining oil, or refining sugar. In at least 10 cities the wages paid in department stores (2 in each city), street railways, telegraph and telephone companies, are to be learned. In at least 10 cities, the union scale and the prevailing union and non-union wages for 1900 and 1910 are to be learned in

the building trades and for compositors, dock hands, iron moulders, and machinists. Agricultural wages are to be learned through the agricultural department, and railroad wages through the Interstate Commerce Commission. The inquiry is estimated to cost $65,000 and to last four months.

Several monographs have now been issued in complete form by the National Monetary Commission. Among those which have recently appeared is a study, by Professor David Kinley, of *The Use of Credit Instruments in Payments in the United States* (Sen. Doc. No. 399, 61st Cong., 2d sess.)—a study of the same sort that has been made by Professor Kinley in former years, the older results being now brought down to date and completed; a historical and descriptive monograph on *The National Bank of Belgium,* by Charles A. Conant (Sen. Doc. No. 400, 61st Cong., 2d sess.); *A Digest of State Banking Statutes* (Sen. Doc. No. 353, 61st Cong., 2d sess.), compiled by Samuel Welldon, and comprising a complete reprint or summary of state legislation on banks and trust companies; a review of the *Fiscal Systems of the United States, England, France and Germany,* outlining methods of public accounting used abroad, by J. O. Manson (Sen. Doc. No. 403, 61st Cong., 2d sess.); *The Work of the National Monetary Commission,* by Nelson W. Aldrich (Sen. Doc. No. 406, 61st Cong., 2d sess.); *Suggested Changes in the Administrative Features of the National Banking Laws* (Sen. Doc. No. 404, 61st Cong., 2d sess.), and a few others. Of those which have been completed and will shortly be rendered available the most interesting is that of Paul M. Warburg on *The Discount System in Europe and America.* Much of the material which the commission is putting out seems to have a strong bias in favor of the adoption of central banking legislation, the argument in favor of a central bank for the United States being supported by efforts to show that the central banks of foreign countries have been highly beneficial and at the same time have not incurred any of the criticisms which have been suggested as applicable to the proposed central banking legislation of this country. The National Monetary Commission now fully admits that beyond the issue of these monographs and the other "literature" which is being sent out, no action will be taken before next winter.

Attorney-General Wickersham has added to a series of rather

remarkable decisions on the corporation tax an opinion under date of April 8, whereby he holds that any corporation which was engaged in business after the approval of the tariff act of August 5, 1909 (which included the corporation tax section) is subject to the excise tax therein provided and that the fact that a corporation which was engaged in business subsequent to August 5, 1909, lawfully dissolved itself and distributed its assets prior to December 31, 1909, is immaterial. While the Attorney-General admits that there is no express provision in the corporation tax creating a lien upon the property of a corporation subject to that tax he relies upon sec. 3186 Revised Statutes, as amended by the act of March 1, 1879, which provides that in case any person fails to pay a tax on demand the amount is a lien in favor of the United States. This, he holds, applies also to corporations subject to the corporation tax. Following the decision of the Supreme Court of the United States in the case of *Savings Bank* vs. *The United States* (19 Wall. 227, 240), Mr. Wickersham holds that the dissolution of a corporation does not extinguish its liabilities and that the government may collect the tax by pursuing the assets of the corporation into the hands of the stockholders and elsewhere. The opinion is intended to meet the case of those numerous corporations which dissolved subsequent to the passage of the tariff act of last August in order to escape payment of the excise taxes. The decision is held by many lawyers to be of very doubtful validity, and politically it is considered that the step thus taken in seeking to reach the corporations which have dissolved in order to avoid publicity for their affairs is most unwise. The revenue secured from such corporations will of course be collectible but once, while they will be deprived of the main benefit they had hoped to secure by dissolving—the avoidance of "publicity." As no quasi-public corporations have thus dissolved it is considered that no good public object is served by applying this decision. The opinion will furnish another important issue for reference to the federal Supreme Court, which will thereby be called upon to determine several contested points in the existing law of taxation as laid down in judicial decisions.